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THE MAGAZINE FOR GROWING COMPANIES

Inc.

THE NEXT BIG THING

Fast and Focused, Pizza Now! Is Bidding to Be the Next McDonald's

SEE PAGE 44

SQUEEZE PLAY

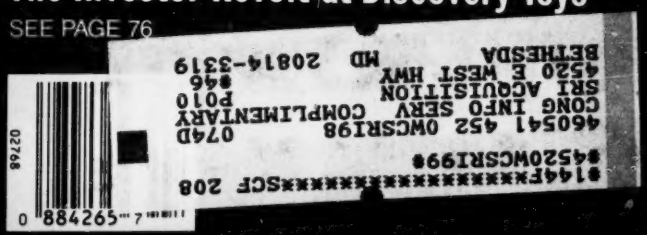
What Really Happens when Companies Cut Costs

SEE PAGE 68

GREER VS. NEMETH

The Investor Revolt at Discovery Toys

SEE PAGE 76



PHILIP GOLDMAN, FOUNDER OF PIZZA NOW! INC.

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COVER PHOTOGRAPH by Manuello Paganelli/ Woodfin Camp

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LETTERS

MARKETING RESEARCH

If you're trying to grow your product-based company, don't attempt Fortune *500–scale market research, advised Jim McManus and John Luther of Marketing Corporation of America ("How to Grow a Product-Based Business," April). You'll pay $200,000 or more. Instead, spend half as much, and do four to eight focus groups. Or do just two groups, "which will at least rule out disasters."*

Where are these numbers coming from? asked one specialist.

Unless you're letting your research firm commit grand larceny, $100,000 should buy you *20* focus groups, including a good chunk toward travel expenses and overhead. If you do just a couple of groups—and revise in between as McManus suggests—you end up with two different evaluations. This means risking big investment dollars on the opinion of just 20 people who didn't even see the same thing.

Also, focus groups are no substitute for quantitative research. Groups are most appropriately used for the exploration and development of theories and concepts.

Karen L. Best
Principal
Creative Focus Marketing
Research & Consulting
Dallas

STIFF COMPETITION

Want to sell to the government? So do a lot of companies—which is why retired military officers Richard H. Thompson and Gary Bottorff started a business to advise would-be federal vendors (Hotline: "The Four-Star Solution," April). So far, most of the officers' clients have been large companies, which didn't surprise one battle-scarred industry veteran.

In 1983 I started a company to assist companies seeking to do business with the government. We too targeted small businesses and could have starved to death if we hadn't realized that our major competition came from the government itself, which offers a supermarket full of free advice.

Where are the free goodies? Start with your representative, who may hold a Federal Procurement Conference. The Small Business Administration will counsel you for free at one of its Small Business Development Centers. If you're a member of a minority, you can go the local Minority Business Development Center. The Defense Logistics Agency offers free counseling for small companies wishing to do business with the government.

John C. Snedeker
President
Synergistic Dynamics Inc.
Savannah, Ga.

HOUSE OF CORRECTIONS

One company was omitted from the 1990 INC. 100 list published in May. Health Images, an Atlanta owner/operator of magnetic resonance imaging clinics, had a five-year growth rate of 3,495% and would have ranked #36.

Also, the sixth criterion for listing on the INC. 100 was incomplete. It should have read: The company's stock was trading for at least $1 per share on March 1, 1990, or had an active market. We regret the errors.

INC. wants to know what you think. Please address all correspondence to INC. Letters Editor, 38 Commercial Wharf, Boston MA 02110, or call our editorial commentary line toll free at (800) 444-1756. (Messages will be recorded.) Please include name, address, and telephone number for verification. Letters must be signed, and all correspondence may be edited for space and style.

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HANDS ON

A Manager's Notebook

BENEFITS

FIGURING RETIREMENT

CEOs interested in planning for their own or their employees' retirement years should consider using the "retirement calculator," a pocket guide that helps you determine how big a nest egg you'll need—and how much you'll be able to build at your current earnings and savings pace—by the time you reach 65.

By focusing on current income, savings and investments, company pension, and Social Security benefits, the five-step calculator can give you a ballpark figure of how much money you'll need to retire.

It doesn't figure on any ownership stake in your business—potentially your biggest asset—but the calculator is still good for quick answers to such questions as, How much annual income would a 45-year-old executive earning $150,000 today need at retirement to maintain his or her current living standards? (The answer: $360,803. A good reason to start planning early.) For a free copy of the retirement calculator, call Kemper Financial Services Inc., (800) 733-7100, ext. 1990. ❑

Areas in which small companies believe they have an advantage over big-company competitors

Source: "1990 Small Business Outlook Survey" of 3,100 companies by Reliable Corp., Chicago

TRAINING

DRAMATIC IMPROVEMENTS

Contrary to popular opinion, training videos don't have to be expensive to produce or a drag to watch. Just ask the truckers at Motor Cargo, in Salt Lake City. There, a team of eight truckers and a dispatcher produced an entertaining, informative video for their co-workers on a tedious topic: how to catch billing errors due to inaccurate shipment descriptions.

Employees knew better than anyone what work habits needed sprucing up and viewed producing a video as a welcome break from routine, reports Kevin Avery, employee-involvement coordinator for the 700-employee, $45-million freight company.

The team of truckers donated 400 work hours to produce, direct, and act out scenes of billing mistakes. Motor Cargo paid $1,500 for the editing. The payoff: in a test study, $16.48 per bill was saved because of more accurate descriptions, and checking took only five minutes. "It's like a home video for the company," says Avery. "It's the first training video I've seen people excited to watch." ❑

DISTRIBUTION

GENEROUS TERMS

If you have just one product in a distributor's catalog, there's a good chance the product isn't getting the attention you think it deserves. At $3.8-million Delta Technology International Inc., a software business in Eau Claire, Wis., CEO Jim Anthony supplements his dealer-distributor network with four of his own salespeople, who lay the groundwork for a sale and then turn over the closing and commissions to Anthony's local distributor.

"Selling these customers takes an average of two to four months, and distributors don't want to invest that amount of time in us," says Anthony. "But when our distributors make a little easy money thanks to the supplemental sales effort, it reminds them our product does sell, and then they sell more of it themselves."

One closing can pay for a salesperson's annual base salary, says Anthony. The bottom line? Delta's product ranked in the top 20 of an industry best-seller list for 1989, and Anthony is hiring another corporate salesperson. ❑

SELLING

IT'S IN THE CARDS

The last thing you want to do is intimidate a prospect on a sales call, but whip out a business card with *CEO* or *president* printed on it, and that's just what's liable to happen, says Phil Pachulski, CEO of Prime Technology Inc., a $33-million distributor of machine tools based in Grand Rapids. So Pachulski keeps titleless cards on hand for just such occasions.

"If hands-on plant managers and shop engineers see my title, they don't see me as their equal anymore," says Pachulski. "They think I'm a big-shot office guy who doesn't know what's going on in the marketplace."

But when calling on big-company employees to whom organizational charts are important, Pachulski presents a business card with his title, and voilà, instant rapport.

Why?

"Meeting with a CEO makes them feel more important," he says. Such thoughtfulness has helped place Prime Technology on the INC. 500 list twice since its founding in 1982. ❑

CHARTS: ELIOT BERGMAN

HANDS ON

TRADE SHOWS

ALL EXPENSES-PAID "VACATION"

While trade shows may be great for business, they can be disruptive for spouses left behind. Bring them along, says Jim Ake, CEO of Electronic Liquid Fillers Inc., an $11-million bottling machinery maker in LaPorte, Ind. The only string attached is that they work a few hours handing out brochures and answering questions.

Ake figures the typical $2,000 bill for a couple of temps to work the booth was about the same as airfare, room, and meal expenses for two spouses, who would have a much better grip on the business. So he asks for volunteers. "We like to keep money inside the company family if it's possible," he reasons. "When you try to make their lives better, then they try to make the company better." ❑

EMPLOYEE MOTIVATION

THE PRIZE IS RIGHT

If your company's incentive program isn't producing results, the problem might be simpler than you think. You may be offering the wrong rewards, rewards that simply fail to motivate your employees.

Phil Roberts, president of Premier Ventures Inc., found that his 30-day employee-motivation contest was effective with employees only for the first week. "After that, they just ignored it," he says.

Finally, a disgruntled Roberts—whose company runs six Denver restaurants—asked employees what he could do to motivate them. The answers surprised him. Few, he found, were motivated by cash, and rarely were all employees interested in the same booty.

Now, Roberts constantly monitors employees' desires and offers a changing menu of prizes from which his employees can choose. It gets complicated, he admits, "but it's also kept us ahead of the competition." ❑

RETAIL

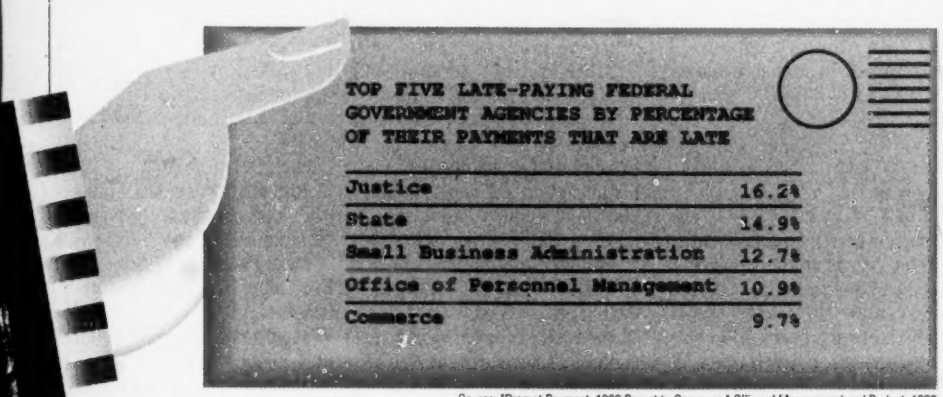
SEEING IS BELIEVING

Judy George, founder and CEO of Norwood, Mass.-based Domain home-furnishing stores, thinks a picture really is worth a thousand words in her business. Before potential customers leave one of Domain's 10 stores, they get a Polaroid snapshot of the furniture they are considering, and the salesperson writes his or her name on the back of the photo. The photo helps customers feel more comfortable choosing Domain's furniture, George believes, because they can compare it with products at other stores and their own home furnishings.

Customers also are more inclined to keep the snapshot—and thus remember the product and the salesperson's name—than a business card. "It helps them feel secure with the purchase; it bonds them with the salesperson," says George, who reports that the technique has increased Domain's sales-closing rate by about 25%. ❑

WASHINGTON

Is Uncle Sam's check still good if it's late?


TOP FIVE LATE-PAYING FEDERAL GOVERNMENT AGENCIES BY PERCENTAGE OF THEIR PAYMENTS THAT ARE LATE
Justice 16.2%
State 14.9%
Small Business Administration 12.7%
Office of Personnel Management 10.9%
Commerce 9.7%

Source: "Prompt Payment: 1989 Report to Congress," Office of Management and Budget, 1990

HANDS ON (continued)

CEO'S READING LIST

Barbarians to Bureaucrats

by Lawrence Miller, Ballantine Books, 1989

"When we acquired another company, preserving our corporate culture was my priority. So I gave managers *Barbarians to Bureaucrats*—which profiles different business personality types—with a written exercise: read the book and find yourself, your manager, and me in it. At a retreat we discussed the findings.

"A lot of people identified themselves as barbarians, who have a take-no-prisoners attitude. You need those people to build a company. Many others identified themselves as bureaucrats, who tightly control things. You want those people, but not to lead the company.

"I can point to all personality types here, except the aristocrat. He is damaging to a company: instead of creating value, he likes to plan and leave the follow-through to his subjects.

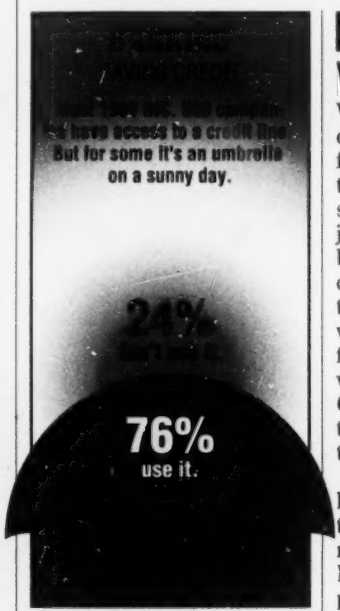
"A prophet started our company. Those are people with great vision for future products. When I came and was building sales I was definitely a barbarian. I became a synergist as CEO.

"After the acquisition, the book served as common ground for discussing the new company. It's a challenge to make an impact on behavior and change thinking in the span of three days, but because we'd read this book we had a head start."

—Lacy Edwards, CEO, XA Systems Corp., Los Gatos, Calif.

DILIP CHAUHAN

HANDS ON



Source: An INC. survey of 413 companies reporting a five-year growth rate of 573% or higher since 1984

HIRING

VET SUPPLY

When John McGraw, president of Production Arts Lighting, faced a labor crunch, he turned to the Vietnam Veterans Leadership Program (VVLP), a free job-placement service with branches in 11 major cities. "A couple of us who had been in the service during Vietnam were looking for new ways to find people," says McGraw, whose $8-million New York City business rents equipment to off-Broadway theaters and touring rock groups.

In four years Production Arts has filled eight entry-level jobs through VVLP. Several vets are now managers. And, says McGraw, "they refer us to other people in the community." For information: Gene Gitelson, VVLP, (212) 269-8857. ❑

MANAGING PEOPLE

CASUAL CONTACT

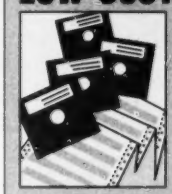
There's no doubt about it, a growing business can be a professional pressure cooker for employees. To help cool things down at Arche Technologies Inc., Fridays—when most staff meetings are held—are dress-down days.

Isaac Levanon, president and CEO of the Fremont, Calif., IBM PC–clone manufacturer, reports the informal environment helps employees loosen up in what could otherwise be a tense meeting. "On Fridays the exchange of information is freer," says Levanon. "People don't say, 'Here's the boss, let's think about what I can say.' It's a nonthreatening environment."

Since instituting the policy, Levanon says, employee morale is up. And every little bit helps when a company grows at a rate of 250% a year to a reported $100 million in annual revenues in 1989. ❑

ON THE CHEAP

LASER QUALITY FROM LOW-COST PRINTERS *By Cary Lu*



You've got to make a big presentation and preparation has carried over into your personal time. So you bring work home. Problem is, your home printer isn't capable of reading the commands required of your laser printer at the office. The two printers' outputs are mismatched; since the printers use different typefaces and spacing, line length and page breaks vary considerably.

What do you do? Delete all the laser printer commands at home and re-input them when you get back to the office? Run out and buy an expensive laser printer to replace your not nearly as expensive but perfectly capable dot matrix printer? Neither.

The solution is printer-emulator software, which can make a low-cost printer behave like a laser printer. You'll still want to print the final copy on a laser printer, but your low-cost printer will work fine for layout and proofing.

The most sophisticated laser printers use a page-description language called PostScript. PostScript emulation software lets you process the language on a microcomputer at minimal cost. Your computer must have at least a megabyte of memory to run the program, and even at that expect printing to be slow.

UltraScript (from QMS Inc., 800-635-3997) is the leading software emulator for PostScript. It's available for IBM PCs and compatibles (with at least an 80286 processor) and Macintosh computers. UltraScript comes in two versions; a $140 version that includes basic typefaces and a $275 version that comes with more typefaces. UltraScript supports many printers, including models that sell for less than $200. For the best results—short of a laser printer—try the Hewlett-Packard DeskJet (for the IBM PC, $600) or DeskWriter (for the Mac, $800).

Hewlett-Packard's LaserJet printers are the most popular laser models for IBM PCs. Since some LaserJets now sell for less than $1,000, LaserJet emulation has been less important than for PostScript printers, which are higher priced. Nevertheless, LaserTwin (Metro Software Inc., 800-621-1137) software enables a wide range of printers to emulate a Hewlett Packard LaserJet series II printer. It sells for $250 including typeface package. All prices quoted are approximate retail prices. ❑

ENVIRONMENT

WASTE NOT, WANT NOT

One company needs plastic peanuts to pack its product. Another doesn't know what to do with them all. Now, thanks to regional "waste exchanges," you can find what you need—as well as others who need what you want to get rid of.

These services act as a go-between—confidential, if you prefer, so you aren't barraged by telephone calls. Their catalogs categorize company waste generators and users in such categories as acids, alkalis, and other inorganic chemicals; solvents and other organic chemicals; oils and waxes; plastics and rubber; textiles and leather; wood and paper; metals and metal sludges; and miscellaneous.

For more information contact any of these six major regional exchanges:

- **Midwest:** Resource Exchange & News, Kay Ostrowski, (616) 363-3262
- **MidAtlantic:** Industrial Waste Information Exchange, William Payne, (201) 623-7070
- **Northeast:** Northeast Industrial Waste Exchange, Nancy Groenhof, (315) 422-6572
- **West:** Pacific Materials Exchange, Bob Smee, (509) 623-4244
- **Southwest:** Renew, Hope Castillo, (512) 463-7773
- **Southeast:** Southeast Waste Exchange, Maxie May, (704) 547-2307. ❑

Reported by Teri Lammers, Jill Andresky Fraser, Susan Greco, Joshua Hyatt, and Martha E. Mangelsdorf